

## Message Text

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PAGE 01 NEW DE 11724 192335Z  
ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 EB-08 INR-07 SP-02 L-03  
IGA-02 /048 W  
-----109785 192341Z /61  
R 191259Z AUG 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 5510

C O N F I D E N T I A L NEW DELHI 11724

STADIS//////////

NEA/INS FOR LANDE

E.O. 11652: GDS  
TAGS: EAID IN  
SUBJECT: ECONOMIC ASSISTANCE TO INDIA

REF: NEW DELHI 11723

1. ECONOMIC COUNSELOR HAD INFORMAL DISCUSSION WITH  
S.V. S. JUNEJA, JOINT SECRETARY, MOF, TO ELICIT VIEWS  
ON USE OF EXCESS CURRENCY IN AN AID PROGRAM.

2. JUNEJA, IN RESPONDING, USED FAMILIAR ARGUMENTS:  
A. THAT THIS WOULD NOT BE TRANSFER OF RESOURCES  
AND WOULD THEREFORE REPRESENT A REDUCTION IN AID  
LEVELS.  
B. THAT SUBSTANTIAL DRAWDOWNS FROM THE ACCOUNT WOULD  
BE INFLATIONARY.

C. THAT USE OF EXCESS CURRENCY IS GOVERNED BY THE  
RUPEE AGREEMENT. LIMITATIONS ON USE AND LEVEL OF ANNUAL  
DRAWDOWN WERE MEANT TO PREVENT DISRUPTIVE IMPACT ON THE  
ECONOMY.

D. THAT IF A DEVELOPMENT ASSISTANCE LOAN IS MADE  
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PAGE 02 NEW DE 11724 192335Z

IN DOLLARS, BUT PART OF IT IS EXCESS CURRENCY, GOI  
WOULD IN EFFECT BE CONVERTING EXCESS CURRENCY INTO  
DOLLARS FOR REPAYMENT.

E. ON THE OTHER HAND, HE SAID, A MODEST GRANT  
OF RUPEES APPROVED BY THE GOI FOR SEPARATE ACTIVITIES  
AND CONSIDERED TO BE ADDITIONAL TO US AID LEVELS  
MIGHT BE FEASIBLE.

3. IN ADDITION, HOWEVER, HE OFFERED ANOTHER ARGUMENT WHICH HE PARTICULARLY ASKED TO BE KEPT IN CONFIDENCE. HE SAID WE WERE AWARE OF THE DIFFICULTIES THEY HAD HAD IN GETTING CABINET APPROVAL TO ACCEPT US AID. SHOULD THE US NOW SUGGEST THAT PART OF OUR AID WOULD BE IN FORM OF EXCESS CURRENCY, THE WHOLE ISSUE OF US AID WOULD BE REOPENED AT THAT LEVEL.

4. SIGNIFICANTLY, HE ADDED THAT "THERE WERE TWO OR THREE CABINET MEMBERS WHO WOULD LOVE TO HAVE THIS HAPPEN" AS, HE SAID, IT WOULD PERMIT THEM AN OPPORTUNITY TO REVERSE THE CABINET'S DECISION.

5. WHILE THIS LATTER POINT DOES LITTLE TO BOLSTER THE ECONOMIC ARGUMENTS AGAINST THE USE OF EXCESS CURRENCY FOR AID, IT CONFIRMS OUR OWN ASSESSMENT: IE., THAT THE MERE SUGGESTION OF IT AT THIS TIME IN OUR AID TALKS COULD WELL BRING THE TALKS TO A HALT.

6. PLEASE SHARE CONTENTS WITH AID.  
GOHEEN

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE  
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**Copy:** SINGLE  
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**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** STADIS  
**Original Previous Classification:** n/a  
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**Status:** NATIVE  
**Subject:** ECONOMIC ASSISTANCE TO INDIA  
**TAGS:** EAID, IN  
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**Review Markings:**  
Margaret P. Grafeld  
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